

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9180
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E.O. 11652: N/A
TAGS: EINV, EQIP, FR
SUBJECT: J.I. CASE CO. BID TO TAKE OVER POCLAIN

1. J.I. CASE CO. OF RACINE, WISCONSIN, AND ITS MOTHER COMPANY TENNECO, HAVE BEEN NEGOTIATING FOR SOME WEEKS WITH BATAILLE FAMILY, OWNERS OF POCLAIN S.A., FOR ACQUISITION OF ENTIRE POCLAIN GROUP. THIS GROUP IS EUROPE'S LARGEST MANUFACTURER OF HEAVY CONSTRUCTION EQUIPMENT, EMPLOYING OVER 10,000 AROUND WORLD, OF WHOM ABOUT HALF ARE IN FRANCE. GROUP HAS SUFFERED HEAVY LOSSES IN 1975-76 DUE TO ILL-ADVISED OVER-INVESTMENT (INCLUDING IN US) ON CREDIT AT A TIME WHEN ITS MARKETING NETWORK WAS INADEQUATE. CASE AND POCLAIN LINES ARE MUTUALLY COMPLEMENTARY AND CASE HAS THE CAPITAL AND MARKETING NETWORK GROUP WILL NEED TO SURVIVE AND PROSPER.

2. AGREEMENT HAS NOW BEEN REACHED UNDER WHICH CASE/TENNECO WOULD BUY 40 PERCENT OF POCLAIN SHARES FOR ABOUT 195 MILLION FRANCS, ACQUIRE SIX POCLAIN LIMITED OFFICIAL USE

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FOREIGN MARKETING SUBSIDIARIES FOR ABOUT 111 MILLION FRANCS AND ASSUME ABOUT 312 MILLION IN OUTSTANDING DEBT. MERGER WOULD BE STRUCTURED IN SUCH A WAY THAT CASE WOULD HAVE EFFECTIVE CONTROL OF WHOLE POCLAIN GROUP.

3. GOF IS EXTREMELY RELUCTANT TO APPROVE AGREEMENT

SHIFTING CONTROL OF SUCH A LARGE AND PRESTIGIOUS FRENCH COMPANY FROM FRANCE TO U.S. THIS WOULD BE DIAMETRICALLY COUNTER TO FRENCH POLICY OF "FRENCHIFICATION" AND PUT DECISION-MAKING POWER AFFECTING 5,000 FRENCH WORKERS (PLUS DOZENS OF COMPONENT SUPPLIERS) IN HANDS OF U.S. BOARD OF DIRECTORS. CASE/TENNECO, ON THE OTHER HAND, ARE UNWILLING TO INVEST THIS KIND OF MONEY WITHOUT ACQUIRING FULL CONTROL.

4. SITUATION CLOUDED BY LATE ARRIVAL ON SCENE OF MASSEY-FERGUSON WHOSE DIRECTOR PONIATOWSKI (A RELATIVE OF FRENCH MINISTER OF INTERIOR) HAS INDICATED READINESS TO MAKE RIVAL BID. CASE, IN TURN, HAS ANOTHER ACQUISITION CANDIDATE IN GERMANY (LEBER) TO WHICH IT WOULD REVERT IF GOF UNWILLING TO APPROVE POCLAIN SALE ON ACCEPTABLE TERMS. CASE IS PUTTING PRESSURE ON GOF THROUGH PRESS RELEASES PLAYING UP GENEROSITY OF ITS OFFER.

5. ACCORDING TO CASE OFFICIAL WHO CALLED ON AMBASSADOR, GOF MAY SUGGEST ADDITIONAL FRENCH PARTNER IN MERGER (PERHAPS RENAULT) TO STRENGTHEN FRENCH PARTICIPATION. CASE MIGHT ACCEPT THIS IF PURELY COSMETIC, BUT NOT IF IT ERODES EFFECTIVE CASE CONTROL OF POCLAIN GROUP.

6. CASE AGREES THAT USG INTERVENTION WOULD NOT BE HELPFUL AT THIS STAGE, BUT WE ARE FOLLOWING LIMITED OFFICIAL USE

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DEVELOPMENTS CLOSELY.
RUSH

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Sent Date: 26-Jan-1977 12:00:00 am
Decapton Date: 01-Jan-1960 12:00:00 am
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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